

AR01

# ANNUAL REPORT

# 1978

Halifax Developments Limited



# Directory

## BOARD OF DIRECTORS

H. P. Connor	Deputy Chairman, Central and Eastern Trust Company
*A. R. Harrington	Business Executive
*D. J. Hennigar	Atlantic Regional Director, Burns Fry Limited
J. J. Jodrey	President, Minas Basin Pulp & Power Company Limited
J. H. Mowbray Jones	Director, Hermes Electronics Limited
L. A. Kitz, Q.C.	Senior Partner, Kitz, Matheson, Green & MacIsaac
M. H. D. McAlpine	President, Robert McAlpine Limited
J. T. MacQuarrie, Q.C.	Partner, Stewart, MacKeen & Covert
H. B. Rhude, Q.C.	Chairman and Chief Executive Officer, Central and Eastern Trust Company
W. H. Richardson	President, Balcom-Chittick Limited
*D. R. Sobey	President, Halifax Developments Limited
F. H. Sobey	Honorary Chairman of the Board, Sobeys Stores Limited

\*Members of Audit Committee

## OFFICERS

J. J. Jodrey	Chairman of the Board
D. R. Sobey	President
D. B. Hyndman	Executive Vice-President and Secretary
A. R. Harrington	Vice-President
L. A. Kitz, Q.C.	Vice-President
J. M. Doull	Vice-President, Operations

## BANKER

The Bank of Nova Scotia

## SOLICITORS

Kitz, Matheson, Green & MacIsaac;  
Stewart, MacKeen & Covert

## AUDITORS

H. R. Doane and Company

## TRANSFER AGENT AND REGISTRAR

Canada Permanent Trust Company, Halifax, Montreal, Toronto, Calgary

## LISTED

Toronto Stock Exchange

## HEAD OFFICE

Barrington Tower, Scotia Square, Halifax, Nova Scotia

# Financial Highlights

	1978	1977	1976	1975	1974
Gross Income	<b>\$11,821,090</b>	\$11,056,903	\$8,900,743	\$8,154,126	\$7,254,678
Income before Income Taxes and Extraordinary Income	<b>\$ 992,157</b>	\$ 447,748	\$ 528,524	\$ 527,706	\$ 307,367
Per Share	<b>22¢</b>	10¢	12¢	12¢	7¢
Extraordinary Income	<b>\$ 206,561</b>	—	—	—	—
Deferred Income Taxes	<b>\$ 478,131</b>	\$ 228,135	\$ 249,055	\$ 271,355	\$ 156,055
Net Income	<b>\$ 720,587</b>	\$ 219,613	\$ 279,469	\$ 256,351	\$ 151,312
Per Share	<b>16¢</b>	5¢	6¢	6¢	4¢
Cash Flow	<b>\$1,913,523</b>	\$ 1,166,405	\$1,121,101	\$1,033,331	\$ 745,062
Per Share	<b>43¢</b>	27¢	26¢	24¢	17¢
Average Shares Outstanding	<b>4,415,705</b>	4,319,705	4,319,705	4,319,705	4,299,552
Shareholders' Equity	<b>\$ 9,766,073</b>	\$ 8,868,805	\$8,735,586	\$8,542,511	\$8,372,554
Book Value Per Share	<b>\$ 2.19</b>	\$ 2.05	\$ 2.02	\$ 1.98	\$ 1.94



# Report to Shareholders

We are pleased to report record levels in revenue, cash flow and net income from operations for 1978. Net income from operations increased to \$514,026 (12¢ per share), compared with \$219,613 (5¢ per share) the previous year. An extraordinary gain during the latest period increased the total net income to \$720,587. Cash flow was \$1,913,523 (43¢ per share) as against \$1,166,405 (27¢ per share).

Reflecting these improvements your Company increased the dividend from an annual payment of 2¢ per share in 1977 to 4¢ per share in 1978 paid semi-annually in June and December.

Construction on Stage IX as originally envisaged by the Company's Founders began in the fall of 1978 and is scheduled to open in the spring of 1980. This residential building will consist of 155 apartments incorporating a health club, indoor pool, along with a limited amount of commercial space. Medium term financing has been arranged through issuance of an income debenture. This building will complete the structures planned in the original Scotia Square proposals.

A major project now under construction by Durham Leaseholds Limited, 50% owned by your Company, is Barrington Place scheduled for opening in late 1979. Located immediately adjacent and east of Scotia Square, the building includes 50,000 square feet of retail space and a 203 room hotel to be operated by Delta Hotels Limited and will be connected by overhead bridge directly to the centre court of Scotia Square.

A major problem faced by an urban development is the escalation in operating costs, a significant part of which is in energy consumption. Nova Scotia, in particular, has witnessed a rapid increase in energy costs due to the necessity of importing off-shore crude oil to supply the thermal electric generating plants. In 1975, your Company installed a highly sophisticated computer to control our all-electric heating, ventilating and air-conditioning systems. We are pleased to report that this equipment has been effective in cost control and energy conservation. In the past three years our actual energy consumption in Scotia Square has been reduced even though a new office tower and several major business computers have been added to the complex.

Halifax and Dartmouth continue to experience a surplus of new office space. While the three office towers in Scotia Square are close to full occupancy and contribute to profits, there is still an unsatisfactory vacancy level in the Bank of Commerce Building owned by Durham Leaseholds Limited.

Last year we reported a soft demand for apartments with an improving trend in occupancy towards year end; we are pleased to report that this trend continued and our residential buildings effected a marked improvement. This demand for apartments in the centre of the city was enough to encourage us to proceed with the new residential building.

Scotia Mall continues its growth pattern of prior years and is benefiting greatly from the new surrounding office structures and higher apartment occupancy. In July, a fast food service area called "Ports of Call" containing seven kiosks with 350 seats opened to an encouraging response and has added a new variety of food service to Scotia Mall.

In early 1978 Metro Centre, a 10,000 seat multi-use facility featuring a professional size ice surface, started operations in the block south of Scotia Square. Its opening has had a marked effect on downtown Halifax after dark and a direct effect on your Company as many patrons make use of our facilities.

Capital improvements of approximately \$250,000 have been made to the parking facilities specifically for the increased nighttime activity. Additions have included a high-speed exit ramp from the Parkade's upper levels, a new glass enclosed pedestrian walkway, as well as energy saving high intensity lighting.

Your Company has benefited from its strategic location and will continue to maintain high occupancy levels in spite of intense competition. The year's results have shown a good improvement and we would like to take this opportunity to thank the employees of the Company for their continued efforts.

Chairman

President

J J J Carey.

Charles L. May



# Consolidated Statement of Income

	December 31	
	1978	1977
Gross income	<b>\$11,821,090</b>	\$11,056,903
Operating expenses	<b>6,838,443</b>	6,618,622
	<b>4,982,647</b>	4,438,281
Interest on long term debt	<b>3,363,230</b>	3,344,705
	<b>1,619,417</b>	1,093,576
Depreciation	<b>657,034</b>	626,158
Amortization	<b>57,771</b>	92,499
	<b>714,805</b>	718,657
	<b>904,612</b>	374,919
Investment income	<b>87,545</b>	72,829
Income before income taxes and extraordinary item	<b>992,157</b>	447,748
Deferred income taxes	<b>478,131</b>	228,135
Income before extraordinary item	<b>514,026</b>	219,613
Extraordinary item (Note 8)	<b>206,561</b>	
Net income	<b>\$ 720,587</b>	\$ 219,613
Earnings per share		
Income before extraordinary item	<b>\$ .12</b>	\$ .05
Net income	<b>\$ .16</b>	\$ .05

# Consolidated Statement of Retained Earnings

	December 31	
	1978	1977
Retained earnings, beginning of year	<b>\$ 917,312</b>	\$784,093
Net income	<b>720,587</b>	219,613
	<b>1,637,899</b>	1,003,706
Dividends	<b>178,548</b>	86,394
Retained earnings, end of year	<b>\$1,459,351</b>	\$917,312

## ASSETS

1977

Receivables	\$ 727,770	\$ 576,293
Prepaid expenses	225,176	195,787
Performance deposits	150,000	150,000
Investment in corporate joint venture (Note 2)	962,598	776,724
Land, buildings and equipment (Note 3)	47,315,647	46,415,368
Other (Note 4)	696,110	753,881

\$48,868,053

J J J Carey.

Harriet Levy

The accompanying notes form part of this statement.



## Balance Sheet

LIABILITIES	December 31	
	1978	1977
Bank indebtedness (Note 5)	\$ 1,040,699	\$ 881,695
Payables and accruals	1,319,690	1,123,447
Long term debt (Note 6)	36,568,108	37,089,506
Deferred income taxes	1,382,731	904,600
	<b>40,311,228</b>	<b>39,999,248</b>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (Note 7)		
Authorized — 5,000,000 common shares without nominal value		
Issued and outstanding — 4,463,705 common shares	8,306,722	7,951,493
Retained earnings	1,459,351	917,312
	<b>9,766,073</b>	<b>8,868,805</b>
	<b>\$50,077,301</b>	<b>\$48,868,053</b>

### AUDITORS' REPORT

#### To the Shareholders of Halifax Developments Limited

We have examined the consolidated balance sheet of Halifax Developments Limited as at December 31, 1978 and the consolidated statements of income, retained earnings, and changes in cash position for the year then ended, and have obtained all the information and explanations we have required. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the company, these consolidated financial statements are properly drawn up so as to exhibit a true and correct view of the financial position of the company as at December 31, 1978 and the results of its operations and the changes in its cash position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

H. R. Doane and Company  
Chartered Accountants

Halifax, Nova Scotia  
February 19, 1979

# Consolidated Statement of Changes in Cash Position

	December 31	
	1978	1977
Source		
Operations		
Net income	\$ 720,587	\$ 219,613
Depreciation	657,034	626,158
Amortization	57,771	92,499
Deferred income taxes	478,131	228,135
<b>Cash flow</b>	<b>1,913,523</b>	<b>1,166,405</b>
Proceeds from mortgage loan		8,000,000
Increase in current bank loans	181,596	
Conversion of long term debt to common stock	355,229	
Increase in long term bank loans	446,000	
Net change in other assets and liabilities	15,377	271,714
	<b>2,911,725</b>	<b>9,438,119</b>
Application		
Increase in investment in corporate joint venture	185,874	323,579
Land, buildings and equipment	1,557,313	377,033
Repayment of long term debt	967,398	648,802
Income debenture		2,000,000
Decrease in long term bank loans		5,329,325
Decrease in current bank loans		971,596
Dividends	178,548	86,394
	<b>2,889,133</b>	<b>9,736,729</b>
Increase (decrease) in cash	\$ 22,592	\$ (298,610)
<b>Cash flow per share</b>	<b>\$ .43</b>	<b>\$ .27</b>



# Notes to Consolidated Financial Statements

## 1. Accounting policies

- (a) The company's accounting policies and its standards of disclosure are in accordance with the recommendations of the Canadian Institute of Chartered Accountants and the Canadian Institute of Public Real Estate Companies.
- (b) The accounts of the subsidiary company, Halifax Parking Limited, have been included in these consolidated financial statements. Durham Leaseholds Limited, a corporate joint venture is accounted for herein using the equity method of accounting.
- (c) Depreciation on buildings is recorded on a 5%, forty year sinking fund basis. The depreciation charge increases annually and consists of a fixed annual sum together with an amount equivalent to interest compounded at the rate of 5% so as to fully depreciate buildings over a forty year period. The depreciation charged on buildings in the fortieth year will be approximately seven times the amount charged in the first year.
- (d) The company follows the tax allocation basis of accounting. Accordingly, full provision is made for income taxes that are deferred primarily as a result of the timing difference between the depreciation provided for accounting purposes and that claimed for income tax purposes.

## 2. Investment in corporate joint venture

The company's 50% interest in the corporate joint venture, Durham Leaseholds Limited is accounted for on the equity basis and is made up as follows:

	1978	1977
Shares, at cost	\$ 150	\$ 150
Share of earnings, equity basis	369,948	184,074
10% capital notes, at cost		112,500
Demand notes, at cost	592,000	480,000
	<u>\$962,598</u>	<u>\$776,724</u>

The shares and demand notes of \$112,500 have been lodged with a trustee as security for the bondholders.

## 3. Land, buildings and equipment

	1978	1977
Buildings and equipment	\$48,499,554	\$47,830,646
Less accumulated depreciation	3,699,590	3,136,538
	<u>44,799,964</u>	<u>44,694,108</u>
Land	1,721,260	1,721,260
Construction in progress	794,423	
	<u>\$47,315,647</u>	<u>\$46,415,368</u>

## 4. Other

The other assets of the company consist of the following:

	1978	1977
Unamortized bond discount and expenses (a)	\$512,193	\$558,469
Excess of purchase cost of subsidiary over net book value of assets acquired (b)	183,917	195,412
	<u>\$ 696,110</u>	<u>\$753,881</u>

- (a) Amortization of the bond discount and expenses is recorded on a straight-line basis over the terms of the respective bond issue.
- (b) The acquisition of the subsidiary, Halifax Parking Limited, in 1974 has been accounted for by the purchase method. The purchase cost in excess of the net book value of assets acquired was \$229,897. This amount is being charged against operations on a straight-line basis over a period of 20 years. Accumulated amortization to December 31, 1978 is \$45,980.



5. Bank indebtedness

The bank indebtedness is secured by a general assignment of book debts.

6. Long term debt

	1978	1977
8% First Mortgage Bonds, First Series, due April 1, 1996 repayable in level monthly installments of \$91,585 principal and interest.	<b>\$10,332,397</b>	\$10,606,457
Additional interest calculated at 4 $\frac{1}{4}$ % of gross annual rentals from specifically mortgaged premises, is payable at not less than \$100,000 nor more than \$150,000 in any one fiscal year of the company.		
9 $\frac{1}{8}$ % First Mortgage Bonds, Second Series, due October 1, 1988 repayable in level monthly installments of \$52,095 principal and interest.	<b>6,213,170</b>	6,278,631
8 $\frac{1}{4}$ % First Mortgage loan repayable in level monthly installments of \$17,533 principal and interest to July 1, 1993.	<b>1,790,486</b>	1,852,865
9% First Mortgage loan repayable in level monthly installments of \$22,436 principal and interest to April 1, 2000.	<b>2,568,238</b>	2,608,564
10 $\frac{1}{2}$ % First Mortgage loan repayable in level monthly installments of \$16,118 principal and interest to October 20, 2005.	<b>1,768,652</b>	1,779,669
10 $\frac{1}{4}$ % First Mortgage loan repayable in level monthly installments of \$72,908 principal and interest to June 30, 1992.	<b>7,884,165</b>	7,963,320
8% General Mortgage Sinking Fund Bonds, Series A, due August 1, 1993.	<b>2,640,000</b>	2,700,000
8% General Mortgage Sinking Fund Bonds, Series B, due December 31, 1994.	<b>925,000</b>	940,000
9 $\frac{3}{4}$ % General Mortgage Sinking Fund Bonds, Series C, due April 1, 1999. Sinking fund payments commence in 1979.	<b>2,000,000</b>	2,000,000
Convertible subordinated debentures, Series D, due August 16, 1993.		360,000
Interim construction loans	<b>446,000</b>	
	<b>\$36,568,108</b>	\$37,089,506

Estimated principal and sinking fund payments required during the next five years are as follows:

1979	\$708,000
1980	\$768,000
1981	\$837,000
1982	\$887,000
1983	\$960,000

7. Capital stock

144,000 common shares were issued on April 27, 1978 in connection with the conversion of Series D debentures on the basis of 400 shares for every \$1,000 principal outstanding.

8. Extraordinary item

The extraordinary item represents the company's share of a gain on the disposal of assets realized by Durham Leaseholds Limited.

9. Executive compensation

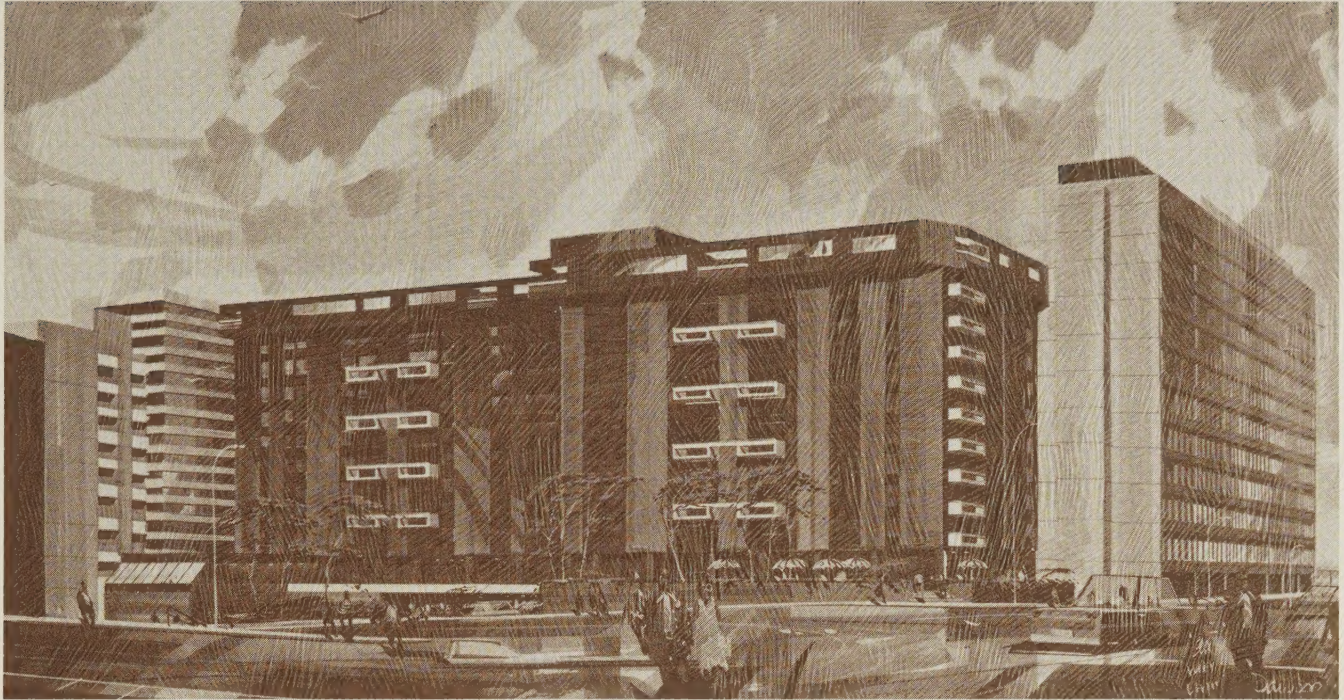
Remuneration to directors, officers and senior employees amounted to \$175,383 in 1978.

10. The accounts for the previous year have been reclassified, where necessary, to conform with the current year's presentation.

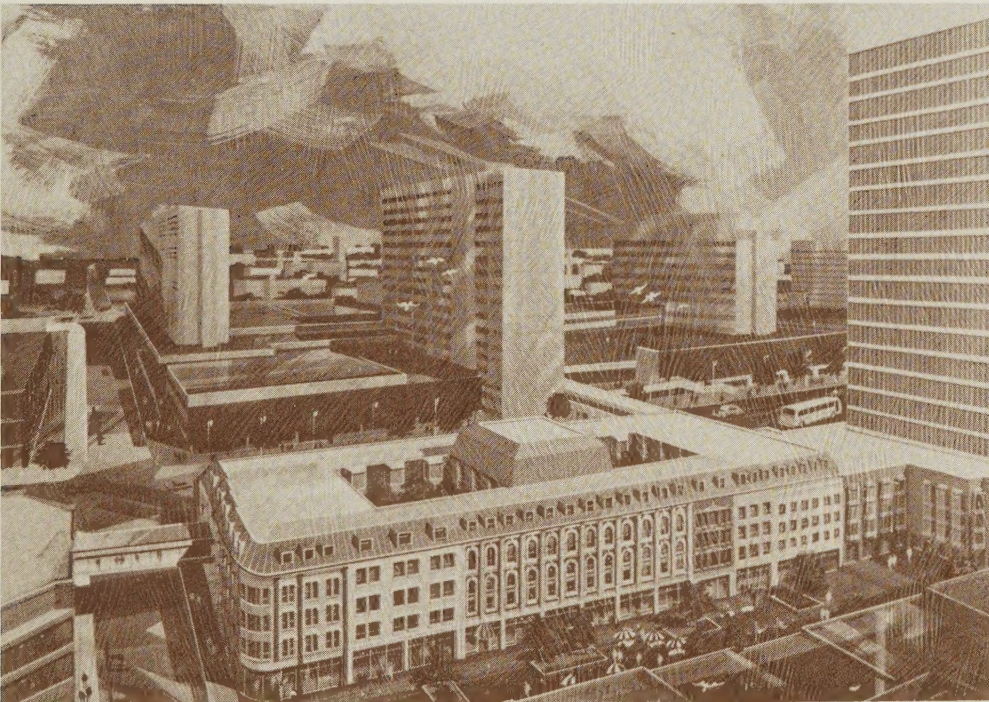
11. Contingent liabilities

The company has guaranteed a bank loan of Durham Leaseholds Limited to the extent of \$750,000.





*Stage IX Scotia Square*



*Barrington Place*

These artistic renderings illustrate two major projects in which the Company is involved. Stage IX is a 155 Unit apartment building, while Barrington Place (developed by Durham Leaseholds Limited — a joint venture) will contain a 203 room Delta Hotel and 50,000 feet of retail space. These projects will be directly connected to Scotia Square by overhead pedways.



